

**Internal Revenue Service  
P.O. Box 2508  
Cincinnati, OH 45201**

**Department of the Treasury**

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**Employer Identification Number:**

**Contact Person - ID Number:**

**Date: August 23, 2011**

**Contact Telephone Number:**

**LEGEND**

**UIL: 4945.04-04**

U = military  
V = educational entity  
W = educational program  
Z = city  
x = dollar amount  
y = dollar amount

Dear :

We have considered your request for advance approval of your grant-making program under section 4945(g)(1) of the Internal Revenue Code, dated August 20, 2010.

Our records indicate that you were recognized as exempt from federal income tax under section 501(c)(3) of the Code and that you are classified as a private foundation as defined in section 509(a).

You will operate a grant-making program that is established to provide scholarships to assist combat veterans in attaining higher education in the statecraft and/or national security area to continue serving their country in civil leadership. The scholarship will provide annual tuition for the duration of the graduate program.

You plan to award one scholarship annually of ranging from x dollars to y dollars in order to cover the tuition to attend V in Z. You will publicize the program on your website and individuals who have been accepted into W will be given information about the scholarship.

To be eligible for a scholarship, an applicant must be a combat veteran. The applicant must meet the admissions requirements of V and be admitted as a Master's degree or Certificate student at W. W provides education in statecraft to members and veterans of U who have engaged the enemy in combat or otherwise have been deployed in harm's way in international conflicts. Applicants must have evidence of financial need, enroll in a least one class per session at V and maintain continuous enrollment on a semester basis. If they fall below the

full-time enrollment (at least one course per session) they are awarded only 50 percent of the grant.

No relatives of members of the selection committee or your officers, directors, or substantial contributors, including any disqualified persons, are eligible for scholarships.

Applicants must complete an application and provide additional supporting documents consisting of:

- 1) Proof of military service indicating they were enlisted in combat;
- 2) Two reference forms in a sealed envelope from teachers, professors, or supervisors;
- 3) Proof of college acceptance (indicating area of study);
- 4) Most recent official college transcript;
- 5) Prior academic records (transcripts) with B average and/or proof of GRE score;
- 6) Federal tax return for the past two years of applicant and/or whomever may claim the applicant as a dependent; and
- 7) Essay regarding passion for statecraft and/or national security and civil leadership.

Your selection committee will include three individuals who are not disqualified persons and two individuals who are currently members on your board. All members of the selection committee shall be knowledgeable in the education field and possess the background and knowledge to properly evaluate the potential of applicants. The non-board members of your selection committee will serve a three-year term and be selected by your board of directors via an application process to ensure independence and appropriate knowledge in the education field. Non-board members will be replaced each three year period or sooner if a non-board member is unable to complete his or her three-year term.

Applicants will be ranked on their combat service, merit and needs and the best qualified and most needy individual will be selected. Financial need levels will depend upon the status of the applicant such as: a) single, b) married, and c) number of dependents. Financial need will be ranked upon meeting gross income measurement, required living expenses (if the applicant is not living near V), and eligibility for multiple special tuition rates, pricing programs, or scholarships. Gross income of the applicant will include taxable and nontaxable income and will be measured by reviewing the copy of the most recent federal income tax return and copy of year to date payroll history, if any. If no income tax return was filed, proof of bank statements and/or deposits for the past year and current bank statements for the year of the application will be requested.

Each recipient is required to communicate his or her acceptance of the scholarship, as well as their agreement to your terms and conditions, by way of a written acceptance letter. The terms and conditions of the scholarship will include the requirement to comply with your attendance policy and your right to revoke the scholarship at any time upon a participant's failure to satisfy the terms of the scholarship award. If, at any time, you deem it appropriate to terminate a scholarship, you will issue a written notification to the recipient of your decision to

do so, and the recipient shall be entitled to an in-person meeting with your representative to request reconsideration of the decision. Each grant recipient will complete their commitment by seeking civilian leadership positions. If students leave the program before completion to seek civilian leadership positions the grant commitment will be considered complete.

Scholarships will be awarded for each academic term. The total award is not fully paid at the start of each academic year. The grant recipient must submit the tuition bill and/or acceptance letter to verify proof of enrollment.

In the case of grant recipients whose program does not involve taking classes, but involves research and preparation of papers, projects, etc., a grant recipient must submit to you a summary report of the progress on the project or paper at the end of the academic term. Such reports must be approved by the faculty member supervising the grant recipient's research/project.

Grant recipients must submit official university transcripts after the completion of each academic term verifying regular attendance, full time attendance/status, and maintain a "B" average, or a 3.0 average on a scale of 4.0, in order to monitor progress and requirements imposed to continue receiving scholarship funds.

If a recipient has dropped out of the program and has not secured a civilian leadership position, you will take steps to recover funds, including but not limited to contacting the recipient and providing the recipient with a repayment schedule. If no attempt for repayment is made, you will file claims against the grantee recipient where allowed by state law.

Upon completion of the degree program, a recipient must submit to you a final official transcript, and/or final project/paper and verification of graduation by the university registrar/dean's office.

If there is a failure to submit reports you will conduct an investigation by contacting the recipient. If there is any suspicion that funds are not being used for their given purposes than you will conduct an investigation to make a final determination.

If any such investigation is being conducted, you will cease providing funding to the recipient until delinquent reports are received. If any grant funds were used outside the given purpose than the grant recipient must sign an affidavit providing assurance that a misuse of the scholarship funds will not reoccur and that you will recover any misused/diverted funds.

If misuse of scholarship funds reoccurs, you will take steps to receive such misused/diverted funding back and will no longer continue to provide scholarship funds to such recipient. The recipient shall be entitled to an in-person meeting with your representative to request reconsideration of the decision.

Because scholarships relate to education in the statecraft and/or national security field of study, some grants recipients may be required to participate in a political campaign for educational purposes as required by a course. In addition, some

grant recipients may on their own accord participate in a political campaign and/or become a candidate for public office during the grant term. Any of those activities would be unrelated to your grant award and grant recipient selection process and none of the assets you will have provided would be used in this manner.

Scholarships will not be awarded to grant recipients to attend an educational institution based on the status of an individual being an employee of a particular employer.

You will maintain all records relating to individual grants, including information obtained to evaluate grantees, identify whether a grantee is a disqualified person, establish the amount and purpose of each grant, and establish that it undertook the supervision and investigation of grants described above.

Sections 4945(a) and (b) of the Code impose certain excise taxes on "taxable expenditures" made by a private foundation.

Section 4945(d)(3) of the Code provides that the term "taxable expenditure" means any amount paid or incurred by a private foundation as a grant to an individual for travel, study, or other similar purposes by such individual, unless such grant satisfies the requirements of subsection (g).

Section 4945(g) of the Code provides that section 4945(d)(3) shall not apply to individual grants awarded on an objective and nondiscriminatory basis pursuant to a procedure approved in advance if it is demonstrated that:

- (1) The grant constitutes a scholarship or fellowship grant which is subject to the provisions of section 117(a) (as in effect on the day before the date of the enactment of the Tax Reform Act of 1986) and is to be used for study at an educational organization described in section 170(b)(1)(A)(ii);
- (2) The grant constitutes a prize or award which is subject to the provisions of section 74(b), if the recipient of such prize or award is selected from the general public, or
- (3) The purpose of the grant is to achieve a specific objective, produce a report or similar product, or improve or enhance a literary, artistic, musical, scientific, teaching, or other similar capacity, skill, or talent of the grantee.

Section 53.4945-4(c)(1) of the Regulations provides that to secure approval, a private foundation must demonstrate that:

- (i) Its grant procedure includes an objective and nondiscriminatory selection process;
- (ii) Such procedure is reasonably calculated to result in performance by grantees of the activities that the grants are intended to finance; and
- (iii) The foundation plans to obtain reports to determine whether the grantees performed activities that the grants are intended to finance.

Based on the information submitted and assuming your award programs will be conducted as proposed, with a view to providing objectivity and nondiscrimination in making the awards, we have determined that your procedures for granting the awards comply with the requirements contained in section 4945(g) of the Code and that awards granted in accordance with such procedures will not constitute "taxable expenditures" within the meaning of section 4945(d)(3).

In addition, we have determined that awards made under your procedures are 'scholarship or fellowship' grants within the meaning of sections 4945(g)(1) and 117 of the Code, and are excludable from the gross income of the recipients subject to the limitations provided in section 117(b) of the Code, including to the extent that such grants are used for qualified tuition and related expenses within the meaning of section 117(b)(2) of the Code.

This determination is conditioned on the understanding that there will be no material change in the facts upon which it is based. It is further conditioned on the premise that no grants will be awarded to foundation managers, or members of the selection committee, or for a purpose that is inconsistent with the purpose described in section 170(c)(2)(B) of the Code.

The approval of your award program procedures herein constitutes a one-time approval of your system standards and procedures designed to result in awards which meet the requirements of sections 4945(g)(1) and 4945(g)(3) of the Code. This determination only covers the grant programs described above. Thus, approval shall apply to subsequent award programs only as long as the standards and procedures under which they are conducted do not differ materially from those described in your request.

Any funds you distribute to individuals must be made on a true charitable basis in furtherance of the purposes for which you are organized. Therefore, you should maintain adequate records and case histories so that any or all award distributions can be substantiated upon request by the Internal Revenue Service.

This determination is directed only to the organization that requested it. Section 6110(k)(3) of the Code provides that it may not be used or cited as a precedent.

You must report any future changes in your grant making procedures. Please keep a copy of this letter in your permanent records.

We have sent a copy of this letter to your representative as indicated in your power of attorney.

If you have any questions, please contact the person whose name and telephone number are shown above.

Sincerely yours,

Lois G. Lerner  
Director, Exempt Organizations

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